



“Financial Analysis of Public Sector Undertaking: A case study of Punjab National Bank”

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Abstract:

The Bank is derived from a French word 'Banque' which means bench. The Jews were believed to be early bankers, who used to transact business over the benches within the market. A bank is a financial intermediary that accepts all the deposits and channels them into lending activities. It plays a vital role in the marketing of new type of deposits and advances schemes.

The operational efficiency, service quality, managerial effectiveness, service quality, customer satisfaction is the main part to observed the performance of a bank and other relevant aspects. The efficiency with which a bank deploys its total resources to optimize its net profits and thus serve as an index to the degree of asset utilization and managerial effectiveness. This study attempts to measure the financial performance of Punjab National Bank. This study is entirely depends on secondary data and different ratios have been applied to evaluate the financial performance of the bank.

Keywords: Bank, Financial Performance, Profitability, Ratio analysis, PNB etc.

Introduction

A good bank is not only the financial heart of the community but also a helping hand in every possible manner to improve the economic condition of the society. Banks are a fundamental component of the financial system and are also active players in financial markets. The bank is connecting with investors, depositors, individuals and forms etc and it's a controlling body to controls the supply of money for circulation and their influence over the volume of bank money, they can influence nature and character of production in any country. Economic development is a continuous process which highly depends upon the extent of mobilization of resources, investment and operational efficiency of various segments i.e. trade, industrial development, and agriculture of the economy banks have become a part and parcel of all economic activities. Banks play a significant role in the economic development of all the Nations of the world.

In India, Banking is experienced since Vedic Period, which can be proved through the writings of Jurist Manu which was related to advances, interest and deposits. During the Mughal period, the development of indigenous banker worked significant in the expansion of trade and commerce via lending money. Later, during the rule of the East India Company, the banking sector was handed by agency houses. In the year, 1990 the economic reforms introduced by Indian Government played a significant role in setting up the banking sector which is experienced currently.

Financial Analysis is a process of synthesis and summarization of financial and operative data to get an insight into the operative activities. Financial analysis consists of comparisons for the same company over periods of time or comparisons of different companies either in the same industry or in different industries. It is helpful in assessing corporate excellence, operating efficiency, judging credit worthiness, forecasting bond ratings, predicting bankruptcy and assessing market risk. The financial analysis can be performed by analysts who work for the firm or by outsiders like investors, creditors, lenders, suppliers, customers, security analysts, academicians, researchers, environmental protection organizations, special interest lobbying groups, government and other regulatory bodies. There are numbers of tools and techniques available for the performance evaluation of a bank like Data Envelopment Analysis, and ratio analysis, etc. Ratio analysis enables the management of banks to identify the causes of the changes in their advances, income, deposits, expenditure, profits and profitability over the period of time and thus help in pinpointing the direction of action required for increased deposits, income, advances and reducing the expenditure and for altering the profitability prospects of the banks in future.

Punjab National Bank: An Introduction

Punjab National Bank commenced its operations on April 12, 1895 from Lahore with an authorized capital of Rs. 2 lakh and working capital of Rs 20,000. Punjab National Bank is an Indian multinational banking and financial services company. It is a state-owned corporation based in New Delhi, India. Founded in 1894, the bank has over 6,968 branches and over 9,656 ATMs across 764 cities and serves over 80 million customers.

Punjab National Bank was registered on 19 May 1894 under the Indian Companies Act, with its office in Anarkali Bazaar, Lahore. The bank started its operations on 12 April 1895 in Lahore. In 1900, PNB established its first branch outside Lahore in India. The next major event occurred in 1940 when PNB absorbed Bhagwan Dass Bank, which had its head office in Dehradun. On 31 March 1947, even before Partition, PNB had decided to leave Lahore and transfer its registered office to India; it received permission from the Lahore High Court on 20 June 1947, when it established its new head office at Under Hill Road, Civil Lines in New Delhi. In 1951, PNB acquired 39 branches of Bharat Bank (est. 1942) and Bharat Bank became Bharat Nidhi Ltd. In 1960, PNB again shifted its head office from Calcutta to Delhi. In 1961, PNB acquired Universal Bank of India, which Ramakrishna Jain had established in 1938 in Dalmianagar, Bihar.

Literature review

1. Anshuja Tiwari and Rakhi Tiwari (2019), "Financial Performance Analysis- A Comparative Study of Bank of Baroda and Axis Bank". The present study was committed to investigate the financial performance of Axis Bank and Bank of Baroda by utilizing Ratio analysis technique so as to give significant insights about the financial competence of Banks in terms of Asset Quality, Management Efficiency and Earning Ratios. The ratios are determined from the critical examination of Balance sheet and Profit and loss account of the selected banks over a period of five years from 2013 to 2018. The study concluded that the Axis Bank, a private sector banks is highly management efficient compared to BOB while BOB is found to have better position in terms of its Asset quality and Earning Ratio.
2. Anshita Bihari, (2020), "A Comparative analysis of NPA between PNB and Axis Bank", the main aim of the study was to discover the drift of gross NPA and net NPA. For this study, the analyst selects two banks i.e. PNB as Public Bank and AXIS Bank as Private Bank. Independent Sample t-test has been utilized for examination amid the period of study from 2009-10 to 2019-20. It has been found that both banks NPA appears an overall expanding drift. The result of the study is advantageous to the banking industry to check the impact on their productivity and take remedial measures so that impact of NPA on the benefit of the banking sector can be minimized.
3. Ahmed Mahdi Abdulkareem, (2020), "Profitability Performance of HDFC Bank and ICICI Bank: An Analytical and Comparative Study". The article was an attempt to examine the profitability performance of HDFC bank and ICICI bank. it show a comparison between the profitability performances of these banks in order to come

up with clear understanding of new banking strategies. Mathematical and statistical tools and techniques such as Ratio, Trends, Simple & multiple correlations are used to analyze data. The most appropriate Parametric and Non parametric test are employed and the analysis of data is presented through different graphs and tables. The findings reveal that HDFC Bank is generating more profitability than ICICI bank.

4. Ch. Balaji, Dr. G. Praveen Kumar (2016), "A Comparative Study on Financial Performance of Selected Public & Private Sector Banks in India". The objective of the study was to analyze and compare the overall financial performance of selected public and private sector banks in India. The study was based on secondary data that has been collected from annual reports of the respective banks, Reserve Bank of India. This research covers 2011 to 2016 years. Although there was increase in profitability for both sector banks the rate of growth is higher for private sector banks. Public sector banks are lagging in many financial parameters and they are facing many challenges also. It was concluded that Public sector banks must redefine their strategies by considering their strengths and weakness and the type of market they are operating.
5. CS Arvinder Kaur, (2018), "Financial Performance Analysis of Selected Indian IT Companies: A Comparative study", The present paper was to examine the financial position and performance of selected Indian IT for a time period of 10 years which shows the relationship between liquidity, leverage, efficiency and profitability. With help of the analysis it was found that the performance of TCS is most satisfactory in terms of Gross Profit and Net Profit Ratio. If we take Return on Capital Invested again TCS is best performer followed by HCL, Infosys & Wipro. In case of Return on Equity the performance of HCL is ranked first followed by TCS, Wipro, Infosys. If we consider current ratio it can be said on the basis of analysis that TCS has most liquidity followed by Wipro, HCL & Infosys.
6. Divya Sri. G1, Sathya. K (2019), "A Study on Financial Analysis of Punjab National Bank". The aim of this study was to know financial position of the bank is satisfactory with the help of the financial statement. The bank has to take necessary steps to reduce the non performing assets of the bank and to increase the net profit of the bank. The study base for analyzing the result was based on financial statements like Balance sheet, Profit and loss account. From the balance sheet the liquidity position of the bank is found to be satisfactory. This indicates that the bank has good reputation. This study also focused about banking services which helped enhance knowledge in banking sector.
7. Dr. Ashok Kumar Gupta, Dr. Meenu Maheshwari, Mrs. Sudarshana Sharma (2019) "A Comparative Study on Performance Measurement of HDFC Bank and SBI using Balanced Scorecard". This study has been carried out to evaluate and compare the performance of HDFC bank and State bank of India using the Balanced Scorecard which administer the performance on four basic perspectives named Financial: Customer: Internal Business Process: Learning & Growth and Innovation and with an additional perspective Social and Environment. The results was not shows any significant difference in the performance of HDFC bank on financial perspective, customer perspective and Social & Environment Perspective and do not show any difference in the performance of SBI on all perspectives except financial perspective when intra company comparison was drawn for the study period. This study was suggested to improve performance on non financial perspectives because improvement in non-financial measures directly improves the financial performance of banks.
8. Dr. Pramod Kumar Patjoshi, (2019) "A comparative study on financial performance of HINDALCO and NALCO". In present modest environment, assessing the financial performance is decisive for corporations in manufacturing sector. The analysis was shows the financial performance reproduces the financial position as well as profitability of the corporation, the level of the competitiveness in the identical sector, and detailed information about the cost and profit hubs within the corporation. Managers, investors, and creditors can put on the different accounting evidence provided by financial analysis in their tactical planning and investment decisions. Therefore, this study involves the financial performance of two major companies i.e. HINDALCO and NALCO aluminium manufacturing companies in India.

9. Gajera Alpeshkumar Chandulal (2016), “A comparative study on financial performance of private and public sector banks with special reference to affecting factors and their impact on performance indicators”. The main purpose of the study was to find out the financial performance analysis, second part of research is to carry forward for identifying the factors responsible for deviation in financial performance of private and public sector banks. By analyzing the factors indicate the better/poor financial performance of private/public sector banks, parameters are decomposed by using their definitions.
10. Gargi Patel (2019), “A Comparative Study of Financial Performance of IFFCO and KRIBHCO”. One of the vital industries in Indian economy is the fertilizer industry which serves very crucial raw materials for agriculture. Agriculture fertilizer alone accounts for large subsidy close to 0.5% of our GDP which is the second highest after food. Fertilizer industry has shown rapid growth in the last more than one decade. There has been substantial increase in production and consumption of fertilizers over the years but the production of fertilizers is not enough to keep the pace with the growth in consumption. The fertilizer industry in India consists of three types of companies i.e. public, private and cooperative societies. The aim of the study is to know about the financial performance of IFFCO and KRIBHCO, for this study ratio analysis is used as an accounting tool. After calculating the ratios and averages some ratios are considered for analysis.
11. J.Pavithra , K.P.Thooyamani, Kermiki Dkhar (2017), “ A study on the analysis of financial performance with reference to Jeppiaar cements pvt ltd”. This study was conducted to evaluate the financial performance analysis of JEPPIAAR CEMENTS PVT LTD, for the period of 5years ranging from 2009 to 2013. It helps to explore the strength and weakness of the company. Examination and explanation of financial statements show that, the present financial position of JEPPIAAR CEMENTS PVT LTD has improved quite a lot from the previous years. The central focus of the study was to conduct an evaluative study of the financial state of the firm by using ratio investigation, comparative financial statements, and trend analysis by taking into accounts the past years of the company’s financial statements. The study concluded that company overall financial performance is good.
12. Lavudi Vijay (2019), “Financial performance of HDFC and Punjab national bank -a study”, This research study was descriptive and analytical in nature. The data use for this study was completely secondary in nature. In this study, financial performance of PNB and HDFC Bank was evaluates and contrast. The study identifies the PNB face the problems to generate the income and NPAs of PNB is increasing. The study shows that the financial performance of HDFC Bank is better than PNB. The knowledge of financial performance helps, to decision makers, in predicting, comparing, and evaluating the earning ability of company.

Research Gap

Although some studies have been conducted on financial performance analysis of banks, performance comparison between government and private banks and other financial institutions but analysis in the case of Punjab National Bank still remains unexplored. The researchers try to fill this lack of evidence by extending the issue to the specific context of the bank. Therefore, the main purpose of this study is to evaluate the financial performance of Punjab National Bank by observing different variables, ratios and measures, the impact of deposits and advances on the profitability of PNB’s past five years performance results in order to improve its banking business

Objective of the study

- To examine the profitability analysis of Punjab National Bank.

Hypothesis

H01: there is no significant impact of deposits on the net profit of Punjab National Bank.

H11: There is significant impact of deposits on the net profit of Punjab National Bank.

Scope of the Study

This study is undertaken to measure the financial performance of Punjab National Bank. The study will provide details about the growth of deposits and advances, profitability analysis of PNB. It is hoped that the result of this study will propose policy measures for the better performance of this bank in order to achieve the financial goals along with customer satisfaction.

Research Methodology

In the present study, an attempt has made to evaluate the financial performance of Punjab National Bank.

Nature of the Study: The present research is a case study in nature based on the second largest public sector bank of India i.e. Punjab National Bank.

Nature of Data: The secondary data has been considered for the purpose of financial performance analysis of Punjab National Bank.

Sources of Data: The data used for the present study has been taken from published annual reports of Punjab National Bank. Other relevant data sources are journals, newspapers, magazines and internet sources.

Tenure of the Study: The present study is conducted for the period of five years ranging from 2011-12 to 2015-16.

Variables used for the Study: The variables used for the study are total deposits, total advances, total business, total assets, capital and net profit.

Tools used for the Study: ratios, descriptive statistics and regression analysis have been considered for the analysis purpose.

Tools used for Analysis: different ratios are used to analyze the financial performance of Punjab National bank which are as follows:

Advances to Assets Ratio (AAR) = Advances / Total Assets

Capital to Deposits Ratio (CDR) = Capital / Deposit

Credit Deposit Ratio (CDR) = Advances / Total Deposit

Return on Total Asset (ROA) = Net Profit / Total Asset*100

Net Profit Margin = Net Profit / Total Deposits * 100

DATA ANALYSIS AND INTERPRETATION

The present study is concerned about the evaluation of financial performance of Punjab National Bank from 2015-16 to 2020-2021 which has been carried out with the help of different ratios and regression analysis. The main variables and their trends are given below:

Table -1 Financial Highlights of PNB

(Rs. in crore)						
Year	Total business	Deposit	Advances	Total assets	Capital	Net Profit
2015-2016	965377	553051	412326	667390	38310	3062
2016-2017	1041197	621704	419493	720331	733310	1325
2017-2018	1075961	642226	433735	765830	778994	-12282
2018-2019	1134279	676030	458249	774949	790119	-9975
2019-2020	1175674	703846	471828	830666	851457	336

Source: Annual Reports of PNB from 2015-2020

Interpretation:

This table shows that Financial highlights of PNB. The total business of five years of PNB in the year 2015- 965377, 2017-1041197, 2018-1075961, 2019-1134279, 2020-1175674.(sources:Annual report) The growth of the total business increased. The deposit of PNB indicates 2016-553051, 2017-621704, 2018-642226, 2019-676030, 2020-703846. The growth of deposit of PNB increased. The advances position of every year increased year to year. The advance in 2016-412326, 2017-419493, 2018-433735, 2019-458249, 2020-471828 crore. The growth of total

assets always increased which indicate the growth in 2016- 667390, 2017-720331, 2018-765830, 2019-774949, 2020-830666. The capital ratio of PNB also increased which indicates the increased amount in FY 2016-38310, 2017- 733310, 2018-778994, 2019-790119, 2020-851457 crore.

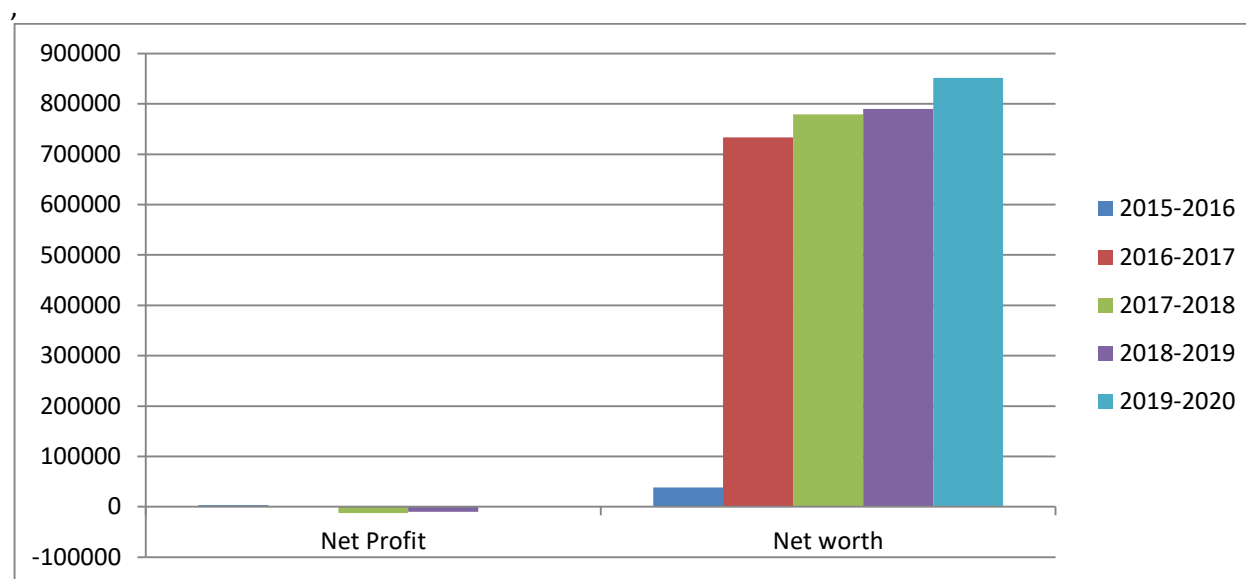


Table No 2 Advances to Total Assets Ratio of PNB

(Rs. in crore)

Year	Total Advances	Total assets	ATAR
2015-2016	412326	667390	61.78118
2016-2017	419493	720331	58.2361
2017-2018	433735	765830	56.6359
2018-2019	458249	774949	59.1327
2019-2020	471828	830666	56.8011

Source: Annual Reports of PNB from 2015 to 2020

The above table shows the ratio of advances to total assets ratio of Punjab National Bank from 2015 to 2020. The ratio ranges from 61.78 in the year of 2016. 2017- 58.23, 2018-56.63, 2019-59.13 and 2020-56.80. There is a decreasing trend is observed in the ratio of advances to assets except in 2018 and 2020 where as in the other years the ratio increased slightly. It indicates that the bank is careful while lending which ultimately results in better profitability.

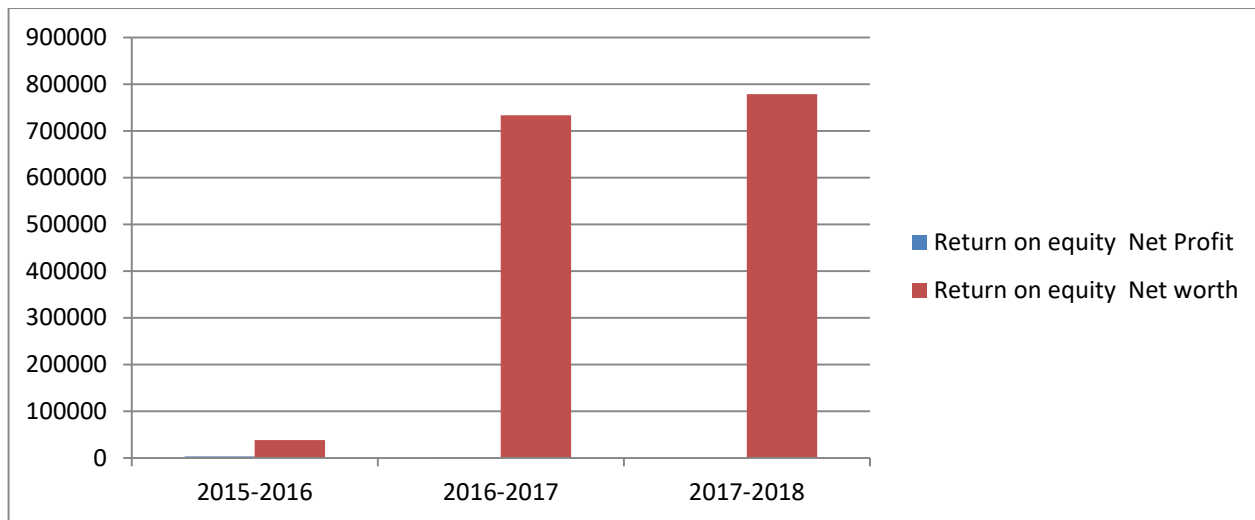


Table – 3 Capital to Deposit Ratio of PNB

Year	Capital	Total deposit	CDR
2015-2016	38310	553051	0.06927
2016-2017	733310	621704	1.11795
2017-2018	778994	642226	1.21129
2018-2019	790119	676030	1.18763
2019-2020	851457	703846	1.20972

Sources: Annual Reports of PNB from 2015-2020

This ratio enables the banks' ability to meet the contingencies of repayment of deposits. The ratio ranges from the year of 2016- 0.06927, 2017-1.11795, 2018-1.21129, 2019-1.18763 and 2020-1.20972. It is concluded that there is a fluctuating trend in the capital of the bank. This ratio enables the banks' ability to meet the contingencies of repayment of deposits.

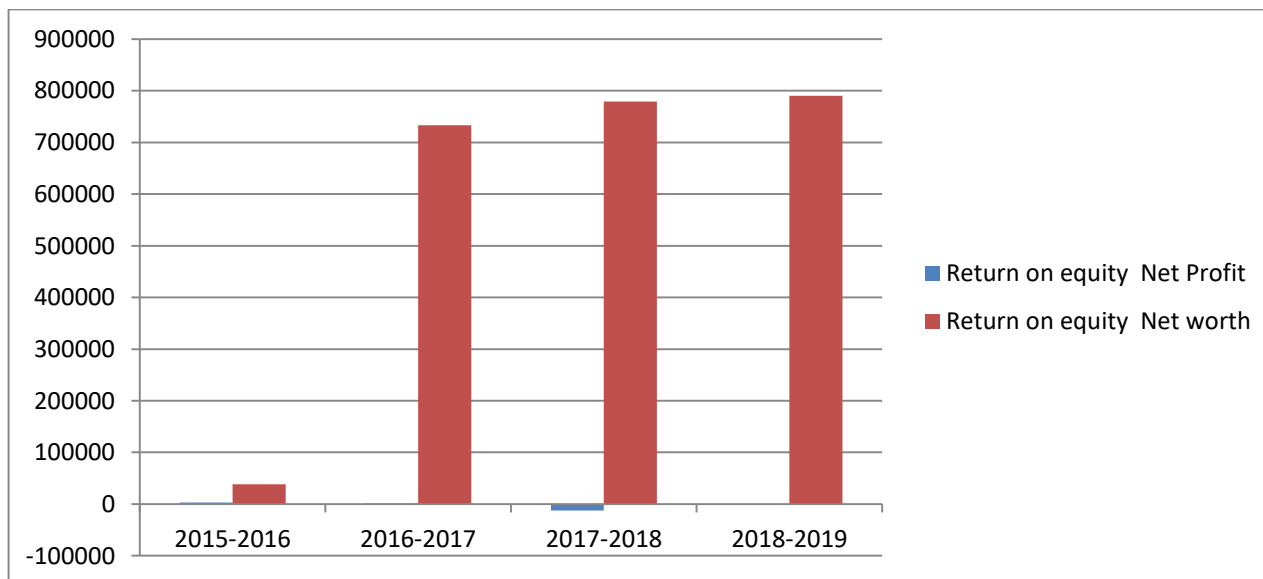


Table – 4 Return on Investment of PNB

Year	Net Profit	Total assets	ROA
2015-2016	3062	667390	0.445880
2016-2017	1325	720331	0.111839
2017-2018	-12282	765830	-111.60375
2018-2019	-9975	774949	-1.2871181
2019-2020	336	830666	0.0404494

Sources: Annual Reports of PNB from 2015-2020

The above table indicates the ROI- Return on investment. The ratio shows a decreasing trend of 2018 and 2019. Declining in ratio has shown adverse effect to the bank. So the bank has to take care of liquid assets to maintain steady position.

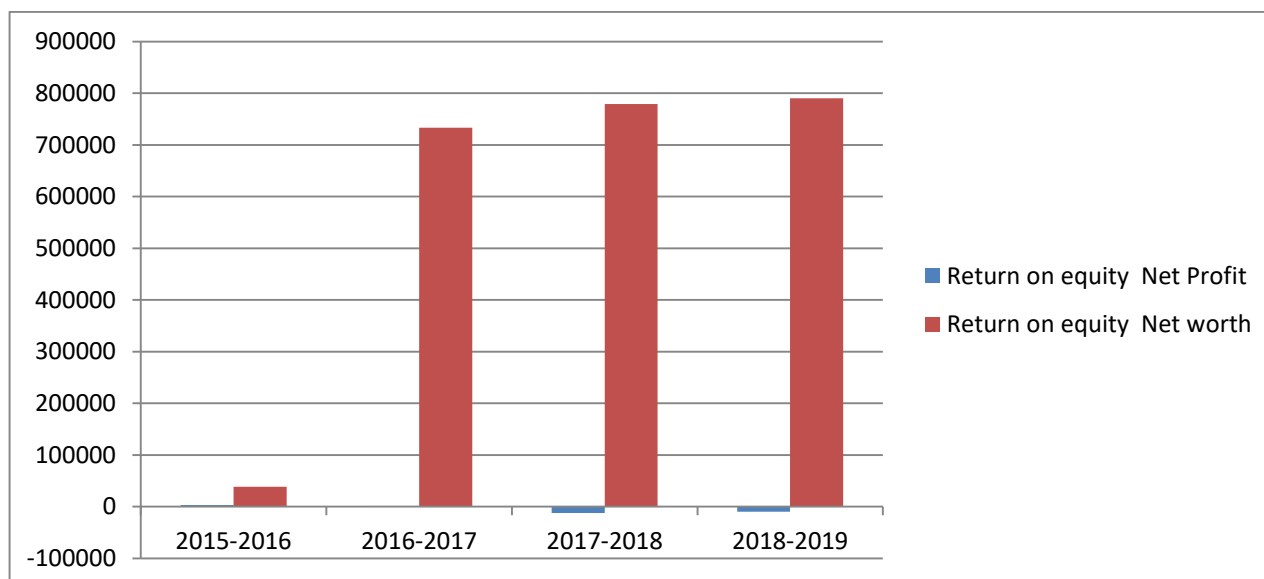
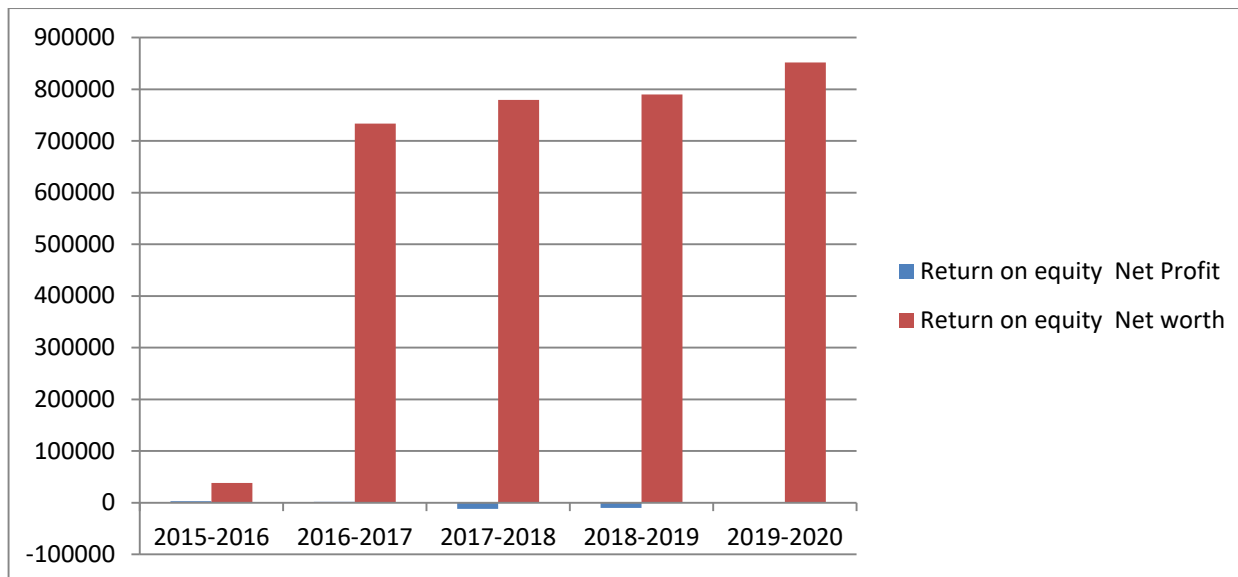


Table – 5 Return on Equity of PNB

Year	Net Profit	Net worth	ROE
2015-2016	3062	38310	7.992691
2016-2017	1325	733310	0.180068
2017-2018	-12282	778994	-1.576648
2018-2019	-9975	790119	-1.262468
2019-2020	336	851457	0.3946176

Sources: Annual Reports of PNB from 2015-2020

From the above table shows the ratio of (return on equity) of the PNB from 2015-2020, It was 7.9926 percent in 2016 which declined steeply during the period. It shows that higher the ratio ensures increased return to the equity shareholders and vice versa.



Finding

The present study aimed to measure the financial performance of Punjab National Bank from 2015 to 2020. Punjab National Bank is a major public sector bank of India which plays an important role in the development of Indian financial system. The financial viability of the banking system is certainly essential; not only to instill public confidence but also to make banks capable of discharging their social responsibilities.

In this study we focused on financial performance of the bank is analyzed using different parameters. The Punjab National Bank of India is in a position to follow the rules of the Government for the social and economic development of the country. The bank has performed well on the sources of growth rate and financial efficiency during the study period. It plays a vital role in marketing of new type of deposits and advances schemes. Therefore, the bank has to re-orient its strategies in the light of own strengths and the kind of market in which it is likely to operate on.

The study also recommends measures that could be adopted by bank to ensure soundness in its operations. The expected contributions of this study to the management in the field of banking can be said to be that this study may help decision makers to pay more attention on the major banking activities that may help in increasing the financial performance position and ranking of the bank as compared to other banks.

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